THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) and (b) Public sector banks have been requested to consider contributing towards the initial equity for the proposed Asset Reconstruction Company of India Limited. Many of them have given their consent to contribute their equity share. However, the amount of their share can be deposited with the ARC only after it is actually set up.

(c) No, Sir.

(d) and (e) Do not arise.

Conversion of loans of sick companies into equity

1714. SHRI P.N. SIVA: Will the Minister of FINANCE be pleased to state:

(a) whether the Financial Institutions have now made it a convention to convert all loans of large sick companies into equity;

(b) if so, whether such a policy has been cleared by Government;

(c) if so, the extent to which such a policy has a negative impact on the Financial institutions; and

(d) the steps proposed to be taken to review this decision?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL): (a) No, Sir. The financial institutions have not made it a convention to convert all loans of large sick companies into equity. However, where considered necessary to rehabilitate/restructure the liabilities of the company, keeping in view the long term/potentially viability, in certain cases, part of loans of sick companies are converted into equity with the approval of their Boards and BIFR, wherever the latter is also involved.

(b) to (d) Does not arise.